105 FERC ¶ 61,138
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

NGO Transmission, Inc. Docket Nos. CP03-296-000 and
CP03-298-000

ORDER ISSUING CERTIFICATE

(Issued October 27, 2003)

1. On May 13, 2003, NGO Transmission Inc. (NGO Transmission) filed an application under the Natural Gas Act (NGA) section 7(c) and Part 157 of the Commission's regulations. In Docket No. CP03-296-000, NGO Transmission requests authorization to acquire, own, and operate certain existing natural gas pipeline and storage facilities located in central Ohio. It also requests Part 157 certificate authorization to provide service to three affiliated companies on the subject facilities.[1] In Docket No. CP03-298-000, NGO Transmission requests a blanket certificate under Part 157, Subpart F of the Commission's regulations to perform routine activities and operations.

2. As discussed below, we find it is in the public interest to grant the requested authorizations, in part, to promote competition and provide meaningful access to the national pipeline transportation grid. However, we will deny NGO Transmission's request for a Part 157 certificate to provide service for its affiliate companies and will required that it provide service under Part 284 of the Commission's regulations, as conditioned below.

Background and Proposal

3. In 1998, Licking Rural Electrification, Inc. (Licking), a rural electric cooperative under Ohio law, acquired all the shares of National Gas & Oil Company (National Gas). As a cooperative, Licking is exempt from the jurisdiction of the Public Utilities Commission of Ohio (Ohio PUC). National Gas was a for-profit corporation with

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[1] They are National Gas and Oil Cooperative, Producers Gas Sales, Inc., and NGO Development Corporation.

numerous subsidiaries, including National Gas and Oil Cooperative (NGO Cooperative)[2] and Producers Gas Sales, Inc. (Producers Gas).[3] National Gas was subject to the jurisdiction of the Ohio PUC. In the acquisition, National Gas was reorganized as a "single member cooperative" with Licking as the sole member. National Gas' subsidiaries, NGO Cooperative and Producer Gas, were also reorganized as "single member cooperatives" with National Gas as the sole member and holding company. Customers of NGO Cooperative and Producers Gas were granted membership status in Licking. As presently structured, the Ohio PUC has no jurisdiction over any of these companies, except for pipeline safety issues.[4]

4. Currently, NGO Cooperative operates approximately 1,400 miles of gathering, distribution, and transmission pipeline within eight central Ohio counties east and southeast of Columbus, Ohio. It receives gas into its system from three interstate gas pipelines[5] and from local production through its gathering systems. Both interstate and local gas is distributed locally either directly to NGO Cooperative's end-users or into three storage fields for later distribution to local customers. NGO Cooperative has no exclusive retail service franchise areas. Its customers/members may request to be connected and served by competing investor-owned LDCs, mainly Columbia Gas of Ohio (Columbia). NGO Transmission states that many of the larger industrial customers connected to NGO Cooperative are in fact dually connected and are served by both NGO Cooperative and Columbia.

5. NGO Cooperative's local retail distribution system includes numerous delivery points and farm taps, five interstate pipeline receipt points, three storage fields, and local gathering systems. NGO Transmission intends to acquire from NGO Cooperative, 171 miles of existing pipeline. The facilities to be acquired consist of eleven interconnected segments that have an aggregate peak day throughput capacity of 76,773 MMBtu per

[2] NGO Cooperative is a local distribution company (LDC) that sells and delivers natural gas to residential and commercial customers.

[3] Producers Gas sells gas to industrial customers using NGO Cooperative's LDC facilities to deliver the gas.

[4] However, NGO Cooperative remains subject to retail price regulations by the municipalities in which it operates.

[5] They are: Texas Eastern Transmission Corporation, Tennessee Gas Pipeline, and Dominion Transmission, Inc.

day. NGO Transmission would also acquire three local underground storage fields (Perry, Zane, and Muskie). NGO Cooperative intends to retain and continue to operate the local distribution facilities.

6. NGO Transmission proposes to replicate NGO Cooperative's existing use of the facilities by providing, on a contractual Part 157 basis, bundled firm transmission and storage no-notice service to NGO Cooperative at a monthly cost-based reservation rate of $4.03 per MMBtu. NGO Transmission also proposes to provide Producers Gas and NGO Development Corporation (NGO Development)[6] contractual interruptible transportation service at a 100 percent load factor rate of 6.6 cents per MMBtu transported. Contractual interruptible storage service would be provided at a 100 percent load factor rate of 0.07 cents per MMBtu stored per month.

7. NGO Transmission requests that the Commission waive the regulatory requirements to operate on an open access basis under Part 284 of the Commission's regulations. It states that it intends to provide transportation and storage service that will be wholly localized and among affiliates. It states that the basic mission of NGO Transmission is to provide demand-responsive firm gas delivery service to the singly-connected retail customers who, as Licking cooperative members, indirectly own NGO Transmission. It states that its secondary mission is to facilitate the sale of supply to dually connected industrial customers through the efforts of its affiliates, Producers Gas and NGO Development. NGO Transmission states that it has no reason to believe any other entity will request transportation or storage service on its system. In the alternative, NGO Transmission requests that if the Commission determines that an unconditional waiver of Part 284 is inappropriate, it is willing to accept a conditional waiver under which it would commit to filing a Part 284 open access tariff upon receiving a bona fide request for service from an unaffiliated entity.

8. NGO Transmission also requests that the Commission waive the Standards of Conduct imposed on pipelines with affiliated marketing entities under Part 161 of the Commission's regulations

[6] NGO Development sells gas production to industrial end users, marketers, and LDCs, including NGO Cooperative and other Ohio LDCs.

Intervention

9. Notice of the NGO Transmission's application was published in the Federal Register on May 30, 2003 (68 Fed. Reg. 34,278). No motions to intervene or protests were filed.

Discussion

10. Since the facilities to be owned and operated by the NGO Transmission will transport natural gas in interstate commerce subject to the Commission's jurisdiction, its proposal is subject to the requirements of NGA subsections 7(c) and 7(e).

1. Part 157 Case-Specific Transportation Certificate

11. NGO Transmission states that because of an anomaly in NGO Cooperative's rate structure, NGO Cooperative currently is not recovering all of its costs for operating its facilities. It explains that NGO Cooperative provides gas sales service to its retail residential and commercial customers under a three-part rate structure. The three-part rate structure includes: (1) a customer charge; (2) a base rate that recovers the costs of the distribution facilities;[7] and (3) a separate gas cost rate (GCR) that recovers that commodity cost of the gas and transportation and storage costs NGO Cooperative pays to upstream pipelines. NGO Transmission states that, as currently structured, NGO Cooperative does not recover the costs of operating it own transportation and storage facilities from the receipt points with the interstate pipelines to its retail service territories. NGO Transmission states that by reorganizing NGO Cooperative's transportation and storage services into a separate affiliate with cost-based rates subject to the Commission's jurisdiction, NGO Cooperative will now be able to pass these costs through its GCR.

12. As stated, NGO Transmission requests authorization under Part 157 of the Commission's regulations to provide firm service to NGO Cooperative and interruptible service to Producers Gas and NGO Development. It contends that providing open access service under Part 284 of the Commission's regulations is not warranted for NGO Transmission's situation. It states that after its corporate restructuring the service it will provide will be wholly local and among affiliates.

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[7] The rate base is set by, or negotiated with, the municipalities to which NGO Cooperative provides retail service.

13. NGO Transmission states that, labels notwithstanding, it will essentially be a distribution system. It asserts that it is a repository for all the gas it receives; such gas is not reintroduced into the interstate transmission grid. NGO Transmission also states that other than NGO Development, some of whose production that it sells to Columbia is captive to NGO Transmission, no entity would logically seek service on NGO Transmission for delivery to customers located off NGO Cooperative's distribution system because to do so would result in an incremental cost. NGO Transmission states that the small amount of gas that is eventually delivered to other than an NGO Cooperative member, specifically to Columbia, will be consumed in an adjacent local Ohio market.

14. NGO Transmission contends that it is important for the Commission to recognize that the size and dynamics of the transmission and storage facilities it will acquire make it exceedingly unlikely that any firm capacity would be offered for sustained use to an interested third party were any to such materialize. It states that the 76,773 MMBtu per day peak delivery capacity of the system is not much greater than the combined NGO Cooperative, Producers, and NGO Development design peak demand. NGO Transmission asserts that its service agreement with NGO Cooperative has been customized to reflect precisely the nature of the bundled, load-responsive local distribution service the system is designed and tasked to handle. Similarly, it states that the interruptible storage and transmission agreements between NGO Transmission and Producers and NGO Development have been carefully crafted not to interfere with the reliability needs of NGO Cooperative's customers, but to generate revenue to reduce their effective cost of service.

15. The regulatory goals embodied in Order No. 636[8] were intended to encourage interstate pipelines to provide open-access service, including storage. The Commission's application of its open access regulations to pipelines represents a policy decision not to

[8] Order No. 636, Pipeline Service Obligations and Revisions to Regulations Governing Self-Implementing Transportation Under Part 284 of the Commission's Regulations, and Regulation of Natural Gas Pipelines After Partial Wellhead Decontrol, FERC Stats. & Regs.¶ 30,939 (1992), order on reh'g, Order No. 636-A, FERC Stats. & Regs. ¶ 30,950 (1992), order on reh'g, Order No. 636-B, 61 FERC ¶ 61,272 (1992), aff'd in part, rev'd in part, United Distribution Cos. v. FERC, 88 F.3d 1105 (D.C. Cir. 1996), cert. denied, 137 L. Ed. 2d 845, 117 S. Ct. 1723, 117 S. Ct. 1724 (1997), on remand, Order No. 636-C, 78 FERC ¶ 61,186 (1997), order on reh'g, Order No. 636-D, 83 FERC ¶ 61,210 (1998).

issue case-specific, Part 157 transportation certificates.[9] Under current policy and regulations, the Commission prefers transportation and storage services be rendered under its open access regulations of Part 284**,** rather than under case specific certificates issued under Part 157**,** in order to ensure as competitive an environment as possible for natural gas services.[10]

16. NGO Transmission proposes to operate its facilities as an interstate pipeline with multiple receipt and delivery points. The facilities will transport gas supplies for a least two LDCs and various marketers. Additionally, the facilities will be used to serve many residential, commercial, and industrial end users. Accordingly, we find that the subject facilities, as an interstate pipeline subject to the Commission's jurisdiction, should be operated on an open access basis under Part 284 of the Commission's regulations.

17. NGO Transmission cites to the Commission's decision in the City of Duluth Public Works & Utility Department (Duluth)[11] to support its contention that the Commission has shown a willingness to allow exceptions to the general policy, and/or where compelling reasons existed to permit their proprietary use of facilities by specific customers. NGO Transmission's reliance on Duluth is misplaced. In Duluth, the Commission did not issue a Part 157 transportation certificate.

18. The City of Duluth requested authorization to construct an approximately five-mile pipeline to provide a second source of gas supply for its municipally owned distribution system. But for the fact that the pipeline crossed a state line, as a municipality the City of Duluth would not have been subject to the Commission's jurisdiction. As such, under those particular circumstances, the Commission waived any rate, reporting, and accounting regulations. Here, NGO Transmission clearly will be a natural gas company as defined by NGA Section 2, serving numerous shippers and end-users. Thus, it should not be exempt from the Commission's open access requirements.

19. In more applicable proceedings, the Commission has required newly proposed pipelines to operate on an open-access basis even though the projects were designed to

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[9] United Distribution Companies v. FERC, 88 F.3d at 1123-25, fn 9.

[10] See, e.g., Iroquois Gas Transmission System, L.P., 66 FERC ¶ 61,184, at 61,386 (1994).

[11] 103 FERC ¶ 61,150 (2003).

serve a single customer.[12] Despite NGO Transmission's belief that it is essentially serving one customer, it will, in fact, directly serve three affiliated companies. Notwithstanding the affiliate relationship, under the NGA the Commission treats each company as a separate legal entity.[13] These companies in turn will serve multiple industrial end users, marketers, and an unaffiliated LDC, Columbia. These multiple customers and customer classes show that, once acquired by NGO Transmission, the subject facilities would be an active part of the interstate gas market and pipeline grid. These customers and customer classes should have open access to multiple suppliers.

20. NGO Transmission also argues that it would be unlikely that any firm capacity would be offered for sustained sale to an interested third party were any such party to materialize. Regardless of the current availability of capacity, the existence of or the potential for shippers that can be readily identified, the Commission will apply its open access requirements to new and existing pipeline capacity.[14] We note that Producers and NGO Development will be served under interruptible contracts. This capacity, in particular, should be made available to all other interested shippers.

21. NGO Transmission states that it "is not seeking, and does not wish to have issued it, a blanket transportation service certificate under the auspices of Part 284 of the regulations."[15] It states that it would prefer an unconditional dispensation from Part 284. However, in the alternative, it contends that it would be willing to accept a conditional waiver under which it would commit to filing a Part 284 open access tariff upon receiving a bona fide request for interruptible storage and/or transportation service from an unaffiliated person. Citing B-R Pipeline Co. (B-R Pipeline)[16] and Transcontinental

[12] See, e.g., Clear Creek Storage Company, L.L.C., 84 FERC ¶ 61,210 (1998); Trans-Union Interstate Pipeline, L.P. 92 FERC ¶ 61,066 (2000).

[13] See, e.g., Commonwealth Gas Pipeline Corp., 31 FERC ¶ 61,275, at 61,275 (1995).

[14] See, e.g., Portland General Electric Co., 105 FERC ¶ 61,023, at P 31 (2003); B-R Pipeline Co., 105 FERC ¶ 61,025, at P 46 (2003).

[15] NGO Transmission's application, at 20.

[16] 89 FERC ¶ 61,312 (1999).

Gas Pipe Line (Santee Cooper),[17] NGO Transmission asserts that the Commission has endorsed such an approach on more than one occasion.

22. In B-R Pipeline, Portland General Electric Company (Portland General) requested authorization to sell a portion of the capacity it held on the Kelso-Beaver Pipeline to B-R Pipeline Company (B-R). Portland General was providing service on the pipeline under a Part 157 certificate issued prior to the issuance of Order No. 636. While the Commission does not require an interstate pipeline to convert to a Part 284 pipeline, when a pipeline seeks authorization to amend its existing Part 157 certificate, the Commission will review the pipeline's operations and determine if the amended service could be provided more appropriately under Part 284 of the Commission's regulations.[18]

23. In B-R Pipeline, while the Commission determined that Part 284 service would be more appropriate for service on the Kelso-Beaver Pipeline, it issued B-R a new Part 157 certificate. However, it conditioned B-R's certificate and Portland General's abandonment authorization by requiring both companies' filing for a Part 284 blanket certificates if they received a request for service.[19]

24. In Santee Cooper, South Carolina Public Service Authority (Santee Cooper) requested authorization to construct and operate approximately 2.1 miles of pipeline across the Georgia border to provide service for its John S. Rainey Generating Electric Station in South Carolina. The Commission issued Santee Cooper a Part 157 certificate for transportation service specifically because it intended to provide service exclusively to and for itself.

25. While NGO Transmission maintains that its closely affiliated and operationally interrelated structure means that it is essentially serving one customer, we disagree. NGO Transmission will be a new interstate pipeline that will serve, directly and

[17] 91 FERC ¶ 61,180 (2000).

[18] See Georgia-Pacific Corp., 96 FERC ¶ 61,355, at 61,115 (2001).

[19] The Commission recently issued Portland General and B-R Part 284 blanket certificates. See supra note 14. It also issued an order stating that the Kelso-Beaver Pipeline Company, the third co-owner of the Kelso-Beaver Pipeline, would be required to file for a Part 284 blanket certificate if it filed to amend its existing Part 157 certificate that it currently provides service under for Northwest Natural Gas Company. See Northwest Natural Gas Co., 105 FERC ¶ 61,024, at P 29 (2003)

indirectly, at least two LDCs, commercial customers, industrial end-users, and marketers, which will make it and the markets behind its delivery points an active part of the interstate gas market and pipeline grid. Under the Commission's existing precedent, NGO Transmission should provide this service under a Part 284 blanket certificate.

26. In B-R Pipeline, because the co-owners were operating under existing Part 157 certificate to serve single customers, the Commission determined that it was appropriate to condition the change in the certificate authorizations on a future filing under Part 284. Here, NGO Transmission is not operating under existing certificate authorization and will be providing service for multiple customers. Therefore, we find that it is not appropriate to issue a new, case-specific Part 157 certificate conditioned on a future Part 284 filing.

27. As stated, NGO Transmission contends that it does not want to operate under a Part 284 blanket certificate. In the alternative, we note that the subject facilities NGO Transmission will acquire are located within Ohio. If the corporate reorganization is structured so that NGO Transmission would be subject to regulation of the Ohio PUC, as was its predecessor-in-interest, National Gas, it will qualify as a Hinshaw pipeline, exempt from the Commission's jurisdiction. However, if NGO Transmission chooses to operate as an interstate pipeline subject to the Commission's jurisdiction, it will have to provide service under the Part 284 blanket certificate issued by this order.

2. Public Convenience and Necessity

28. If NGO Transmission determines that it wants to provide service under Part 284 of the Commission's regulations, we find that such operation would be in the public convenience and necessity. Since NGO Transmission's proposal is a change to the current corporate structure, no existing customers will subsidize the acquisition of the facilities. Existing shippers will continue to receive service as they have in the past. Moreover, because the acquisition involves existing services on existing facilities, it will not impact other pipelines in the area or their captive customers. Because no new construction is proposed, there will be no impact on landowners and surrounding communities. Subject to its accepting the Part 284 certificate granted here, we find it is the public interest to grant authorization for NGO Transmission to acquire and operate

the subject facilities to promote competition and to provide meaningful access to the national pipeline transportation grid.[20]

3. Rates Issues

29. NGO Transmission proposes a firm no-notice service for storage and transportation at cost-based recourse rates. It proposes a bundled firm transportation/storage monthly firm reservation charge of $4.03 MMBtu, based on a firm contract demand of 76,773 MMBtu/d, which is the system's total firm capacity. NGO Transmission also proposes a maximum IT rate of $0.0660/Dth and a maximum interruptible storage rate of $0.0700/Dth. The proposed IT and FT authorized overrun rates are designed on a 100 percent load factor derivative of the maximum FT cost-based rate. NGO Transmission also estimates the fuel and gas loss percentage to be one percent, based on 12-months actual experience reported in the 2002 calendar year.

30. NGO Transmission states that it used NGO Cooperative's 2002 audited actual costs to calculate its proposed cost-of-service and derive rates. It proposes a total cost of service of $3,711,672 consisting of: (1) a return allowance; (2) operation and maintenance expenses that includes administrative and general expenses; (3) a depreciation expense[21], and (4) taxes other than Federal and state income taxes.[22] NGO Transmission proposes a rate of return of 6.75 percent. As explained below, the Commission will accept NGO Transmission's proposed cost of service for its initial rates. We will also require NGO Transmission to charge separate transportation and storage rates.

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[20] We note that NGO Transmission will also be required to comply with all the requirements of the U.S. Department of Transportation's (DOT) Minimum Federal Safety Standards contained in 49 CFR § 192. These requirements address the design, construction, testing, operation, and maintenance of pipelines used for the transportation of natural gas.

[21] NGO Transmission uses 30 to 80 year life straight-line depreciation. NGO Transmission states many of these useful lives are longer than those common for interstate gas pipelines, based on a depreciation study of the facilities prepared in 1976 by Price Waterhouse, revised in 1987, and updated periodically since then, and are appropriate for this system.

[22] NGO Transmission states that Licking is a "not-for-profit" corporation; neither it nor any of its constituent utilities pays federal or state income taxes. Therefore, no income tax allowance is applied to the equity return on rate base.

31. As previously stated, NGO Transmission proposed to offer firm no-notice service for transportation and storage at a bundled reservation rate of $4.03 MMBtu. NGO Transmission states that because its firm service is essentially no-notice service, the combined transmission and storage cost of service are used for ratemaking. NGO Transmission may offer no-notice service. However, NGO Transmission also proposes to provide transportation-only service to its affiliates. NGO Transmission proposes to charge the same bundled rate for these services. Above, the Commission denied NGO Transmission's request that it not become an open access pipeline pursuant to Part 284 of the Commission's regulations. Therefore, pursuant to Section 284.7 and 284.9, NGO Transmission will have to offer open access firm and interruptible transportation. We will reject the proposed bundled transportation rates. Instead, we will direct NGO to unbundle each service to reflect a separately stated rate for transportation and storage.

32. The Commission has calculated recourse transportation rates that reflect a straight-fixed variable (SFV) rate design methodology derived using NGO Transmission's proposed annual transportation cost of service, of $1,850,961 and annualized demand billing determinants of 921,276 Dth. The calculations result in the following initial rates: (1) a monthly firm reservation charge of $2.0091, and (2) an interruptible transportation rate of $0.0660.

33. The Commission also uses the Equitable Methodology[23] to design initial rates for storage. Fixed storage costs of $1,699,911 were equally allocated between the "Deliverability" and "Capacity" components. All variable storage costs of $160,800 attributable to the storage function are classified 100 percent to the "Injection" component, as NGO Transmission states its 2000 horsepower of electric compression are used solely for injection. The Commission will require an allocation and rate design for storage service that reflects: (1) a daily deliverability rate of $1.6373 per dth per month; (2) an annual capacity rate of $0.0320 per dth per month, and (4) an injection rate of $0.0726 per dth. Accordingly, if NGO Transmission accepts the certificates issued in this order it will need to use the proposed initial rates in accordance with those listed in the Appendix to this order.

4. Waivers

34. NGO Transmission seeks a waiver of the Commission's Standards of Conduct rules under Part 161 of the Commission's regulation. NGO Transmission has two affiliates (Producers Sales and NGO Development) engaged in marketing activity as well

[23] Equitable Gas Co., 36 FERC ¶ 61,147 (1986).

as affiliate, NGO Cooperative, that provides traditional LDC retail service. All of these affiliates will be served by NGO Transmission. NGO Transmission states that absent a waiver, it would be required to undertake a series of structural changes that would cause it to spend considerable sums of money for no apparent public purpose.

35. Commission regulations in Part 161 clearly apply to any interstate natural gas pipeline that transports gas for others, at the same time as they may be rendering comparable service to affiliates. The purpose of the rules is to insure fair treatment for non-affiliates. Since we are not granting the requested Part 157-based regime, but instead requiring NGO Transmission to provide service as an open-access pipeline under Part 284, it must comply with requirements of Part 161. NGO Transmission request for waiver is denied.

5. Tariff

36. In Order No. 587 and a series of subsequent orders, the Commission has adopted various standards for conducting business and electronic communication with interstate gas pipelines promulgated by the Gas Industry Standards Board (now the North American Energy Standards Board (NAESB)).[27] The standards are intended to govern nominations, allocations, balancing measurement, invoicing, capacity release, and mechanisms for electronic communications between pipelines and those with whom they

[27] Standards For Business Practices Of Interstate Natural Gas Pipelines, Order No. 587, 61 FR 39053 (Jul. 26, 1996), FERC Stats. & Regs. Regulations Preambles [July 1996-December 2000] ¶ 31,038 (Jul. 17, 1996), Order No. 587-B, 62 FR 5521 (Feb. 6, 1997), FERC Stats. & Regs. Regulations Preambles [July 1996-December 2000] ¶ 31,046 (Jan. 30, 1997), Order No. 587-C, 62 FR 10684 (Mar. 10, 1997), FERC Stats. & Regs. Regulations Preambles [July 1996-December 2000] ¶ 31,050 (Mar. 4, 1997), Order No. 587-G, 63 FR 20072 (Apr. 23, 1998), FERC Stats. & Regs. Regulations Preambles [July 1996-December 2000] ¶ 31,062 (Apr. 16, 1998), Order No. 587-H, 63 FR 39509 (July 23, 1998), FERC Stats. & Regs. Regulations Preambles [July 1996-December 2000] ¶31,063 (July 15, 1998); Order No. 587-I, 63 FR 53565 (Oct. 6, 1998), FERC Stats. & Regs. Regulations Preambles [July 1996-December 2000] ¶ 31,067 (Sept. 29, 1998), Order No. 587-K, 64 FR 17276 (Apr. 9, 1999), FERC Stats. & Regs. Regulations Preambles [July 1996-December 2000] ¶ 31,072 (Apr. 2, 1999); Order No. 587-M, 65 FR 77285 (Dec. 11, 2000), FERC Stats. & Regs. Regulations Preambles [July 1996-December 2000] ¶ 31,114 (Nov. 30, 2000); Order No. 587-N, 67 FR 11906 (Mar. 18, 2002), III FERC Stats. & Regs. Regulations Preambles, ¶ 31,125 (Mar. 11, 2002); Order No. 587-O, 67 FR 30788 (May 8, 2002), III FERC Stats. & Regs. Regulations Preambles, ¶ 31,129 (May 1, 2002).

do business. Additionally, in Order No. 637,[28] the Commission revised, among other things, its regulations relating to scheduling procedures, capacity segmentation, and pipeline penalties in order to improve the competitiveness and efficiency of the interstate pipeline grid. If NGO Transmission accepts the certificates issued in this order, it will need to file actual tariff sheets consistent with the Commission's regulations at least 60 days prior to the proposed effective date. In its filing, NGO Transmission may request any waiver of the Commission regulations as may be appropriate.

6. Engineering

37. The Commission has reviewed and analyzed the flow diagrams and information submitted by NGO Transmission with its application and confirms that NGO Transmission has a system peak day throughput capacity of 76,773 MMBtu per day. The Commission has also evaluated NGO Transmission's storage proposal and concluded that, the historical storage data provided by NGO Transmission indicate that the proposed three storage fields (Perry, Zane and Muskie) have successful operational history and have sound geological/engineering parameters for future storage operations.

38. Accordingly, the certificated parameters of the storage fields are: (1) the maximum inventory of natural gas stored in Perry Storage Field shall not exceed 2,884 MMcf (at 14.73 psia and 60 F) and the maximum reservoir shut-in wellhead pressure shall not exceed 1025 psig; (2) the maximum inventory of natural gas stored in Zane Storage Field shall not exceed 2,212 MMcf (at 14.73 psia and 60 F) and the maximum reservoir shut-in wellhead pressure shall not exceed 1100 psig; (2) the maximum inventory of natural gas stored in Muskie Storage Field shall not exceed 952 MMcf (at 14.73 psia and 60 F) and the maximum reservoir shut-in wellhead pressure shall not exceed 1100 psig. Any changes in these storage field capacity values and characteristics will require an amendment to NGO Transmission's certificate.

7. Part 157 Blanket Certificate

39. In Docket No. CP03-298-000, NGO Transmission requests a Part 157, Subpart F, blanket certificate to construct, operate, and abandon certain facilities (self-implementing

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[28] Regulation of Short-Term Natural Gas Transportation Services and Regulation of Interstate Natural Gas Transportation Services, FERC Stats. & Regs. Regulations Preambles (July 1996 -December 2000) ¶ 31,091 (Feb.9, 2000); order on rehearing, Order No. 637-A FERC Stats. & Regs., Regulations Preambles (July 1996-December 2000) ¶ 31.099 (May 19, 2000).

routine activities). A Part 157, Subpart F blanket certificate affords a natural gas pipeline certain automatic NGA section 7 facility and service authorization and allows a pipeline to make several simplified prior notice requests for certain minimal NGA section 7 facility and service authorizations. If NGO Transmission accepts the certificate authorization issued in this order, it will become an interstate pipeline. Therefore, we find that it is in the public convenience and necessity to issue it the requested Part 157, Subpart F blanket construction certificate authority to undertake the activities described in the regulations.

8. Conclusion

40. As a result of its acquisition of National Gas in 1998 and its subsequent corporate reorganization, NGO Cooperative found itself in a position where it is not sufficiently recouping its cost of providing service as it was presently organized. In response, it filed this application requesting authorization to operate as a jurisdictional pipeline as a way to pass through the costs of operating its facilities from its interconnections with the interstate pipelines to its local distribution systems.

41. As discussed above, however, NGO Transmission's proposal is not consistent with Commission policy. If NGO Transmission wants to operate as an interstate pipeline it will need to comply with Commission policies and regulations and become an open-access pipeline. If NGO Transmission accepts the certificates issued in this order it must file actual tariff sheets and revised rates consistent with the discussion in the body of this order, the NAESB standards, the requirements of Order No. 637, any other tariff standards in effect, and Part 154 of the Commission's regulations at least 60 days of its proposed effective date.[24]

42. At a hearing held on October 22, 2003, the Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application, as supplemented, and exhibits thereto, submitted in support of the authorizations sought herein; and upon consideration of the record,

[24] NGO Transmission must also comply with the Commission's Uniform System of Accounts.

The Commission orders:

(A) In Docket No. CP03-296-000, NGO Transmission is issued a certificate of public convenience and necessity pursuant to NGA Section 7(c) to acquire and operate the subject facilities, as described herein and in the application.

(B) NGO Transmission's certificate authorization granted by Ordering Paragraph (A) is conditioned upon its compliance with the Natural Gas Act and all relevant provisions of the Commission's regulations, particularly Part 154 and paragraphs (a), (c), (e) and (f) of Section 157.20 of the Commission's regulations, and its acceptance of the Part 284 blanket certificate authorized herein.

(C) NGO Transmission's acquisition of subject facilities shall be completed within 12 months from the date of this order in accordance with Section 157.20(b) of the Commission's regulation.

(D) NGO Transmission is issued a blanket certificate under Part 284, Subpart G, of the Commission's regulations to provide firm and interruptible transportation services for others, on an open-access, non-discriminatory basis.

(E) The certificate authorization issued in Ordering Paragraphs (A) and (B) are conditioned on NGO Transmission's filing actual tariff sheets and revised initial rates consistent with the discussion in the body of this order, the NAESB standards, the requirements of Order No. 637, any other tariff standards in effect, and Part 154 of the Commission's regulations within at least 60 days of its proposed effective date.

(F) In Docket No. CP03-298-000, NGO Transmission is issued a blanket certificate under Part 157, Subpart F of the Commission's regulations.

By the Commission.

(S E A L)

Linda Mitry,
Acting Secretary.

Appendix

Allocation and Rate Design for Initial Rates

	Reference	Total	Deliverability	Capacity	Injection	Withdrawal
			50% FC	50% FC	100% VC	
Storage Fixed Cost		$1,699,911	$849,956	$849,956		
Storage Variable Cost		$160,800			$160,800	
Certificated Volumes (MMBtu/d)	43,260		43,260	2,214,500		
Injection/Withdrawal (MMBtu)	2,214,500				2,214,500	2,214,500
Billing Determinants	Annual units		519,120	26,574,000	2,214,500	2,214,500
Unit Rates			$1.6373	$0.0320	$0.0726	$0.00000
Revenues			$849,955	$850368	$160,800	$0
Over/Under Recovery			-$1	$412	$0	$0

FIRM MONTHLY RESERVATION RATE:
Transportation cost of Service divided by total Billing Determinants:

Total Transportation Cost	$1,850,961
Billing Determinants (76,773 x 12)	921,276
Monthly Reservation Charge	$2.0091

INTERRUPTIBLE TRANSPORTATION RATE

$2.0091*12/365	$0.0660